

South Korea's Recovery Fuels U.S. Exports

By Seh Won Kim



The Republic of Korea, one of the "Four Dragons" or "Four Tigers" of East Asia (along with Hong Kong, Singapore and Taiwan), has managed an enviable record of economic growth in the last three decades. Though rocked by the financial crisis that began in 1997, South Korea's gross domestic product began showing signs of recovery by 1999.

The health of the country's economy is important to U.S. agricultural exporters, since South Korea's 46 million residents must import about 70 percent of their food. Of the \$12 billion that South Korea spent on agricultural imports in 2001, \$3 billion worth were of U.S. origin, with consumer-oriented products making up almost a \$1 billion share.

With the country losing 30,000 hectares of farmland every year to development, it is likely that demand for agricultural imports will only increase.

Demographics: Largely Urban

The large urban population, concentrated in Seoul, makes an ideal marketplace for high-value items. U.S. exporters looking to increase their sales in Korea should appeal to women and younger people. In 2000, 45 percent of the women in Korea over 14 years old were employed outside the home. In traditional households, though the husband might be the major wage earner, it is the wife who manages the home expenses and savings.

In urban areas, families on average spend \$395 per month on food and beverages, or



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27 percent of total expenditures. Of this amount, over 39 percent is spent on eating out.

How To Do Business

FAS' Agricultural Trade Office (ATO) in Seoul can provide a list of importers and encourages exporters to contact them directly. By way of introduction to prospective customers, send catalogs, brochures, product samples and price lists for the products you would like to sell.

Once contact has been made, a visit is in order. Exchange business cards and arrange a formal introduction. Korean business people emphasize personal contacts and rapport. When conversing, make sure you are understood.

Best High-Value Prospects

- | | |
|-----------------------|--|
| • Poultry meats | • Processed and frozen fruits and vegetables |
| • Seafood | • Bakery products |
| • Dairy products | • Wines |
| • Citrus | • Pet food |
| • Tree nuts | • Beef offal and organs |
| • Sauces | |
| • Coffee | |
| • Confectionery items | |
| • Red meats | |

After establishing a relationship with an importer, be prepared to tailor a product's design, packaging and market approach to the Korean culture. And prepare for the unexpected!

The ATO also sponsors the yearly U.S. Food Showcase that targets importers, wholesalers, distributors, retailers, hotel and restaurant buyers, food processors and media. This show usually attracts 3,000 trade representatives from related food industries.

Target Your Products

Younger Koreans tend to be more amenable to Western tastes, with a higher propensity to consume Western-style foods—as demonstrated by fast-food and family restaurants catering to the young.

In general, consumers prefer national brands and familiar products. Some examples of Korean national tastes are crackers (crispy and unsalted), unsweetened biscuit-type products and fruit-flavored candies that are soft and not too sweet.

Korean consumers also like natural, fresh foods without additives. As incomes climb, so do preferences for health, functional and low-calorie foods. Of course, quality and reasonable prices are also important.



CONSUMER-ORIENTED PRODUCTS MADE UP ALMOST A THIRD OF U.S. SALES.



Korean consumers are very sensitive to food safety issues. For example, the outbreak of bovine spongiform encephalopathy (BSE) in Europe and Japan has resulted in reduced consumption of both domestic and imported red meats. Poultry meats have partly replaced beef.

Clearing Customs

Tariffs can be confusing, but an importer can help determine how much a product will be assessed.

Plant and meat quarantine inspections are very strict in Korea and require certificates that can be obtained from an authorized domestic or foreign laboratory. Two U.S. laboratories have been approved. They are the Oregon Department of Agriculture's Export Center and Omic USA Inc., also in Oregon.

Korean customs is responsible for making sure all documentation is in place before a product is released for distribution and sale. Many organizations and agencies have oversight of agricultural imports, and that can sometimes delay perishable items. Other regulatory agencies control licenses

or quotas. Korea's food and drug agency assures that products meet Korean standards and issues import certificates.

Market Trends

U.S. suppliers should generally work through Korean importers. Only food processors import large volumes of ingredients directly.

Retailers can range from outdoor markets to periodic farmers' markets, department stores, supermarkets, convenience stores, mom-'n'-pop stores, discount or membership warehouse stores and national cooperatives.

In 2000, the four retail groups most likely to purchase imports made these food sales:

- **Department stores/shopping centers:** Just over 100 stores averaged \$23.5 million each in food sales.
- **Supermarkets:** Over 1,140 stores averaged \$1.5 million in food sales.
- **Convenience stores:** More than 2,600 outlets averaged \$330,000 in sales.
- **Discount stores:** This fastest growing sector averaged \$44 million in sales per store.

Korean Language Labels Must Contain:

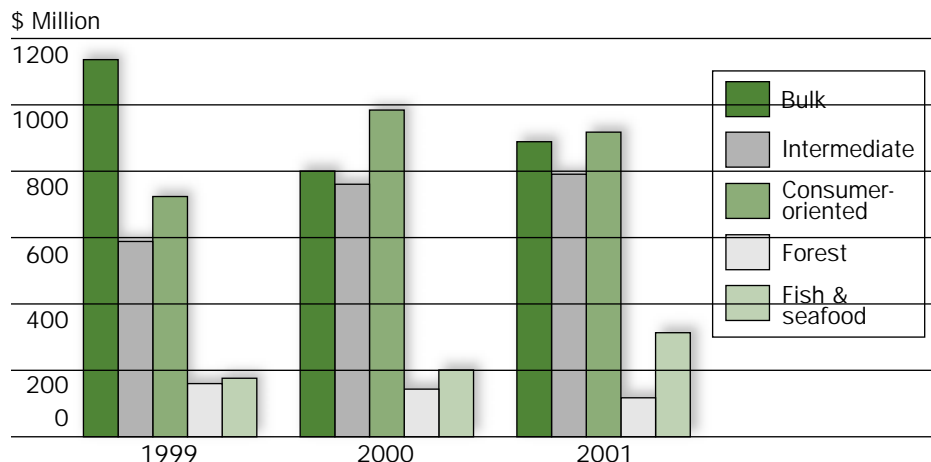
- Product name
- Product type
- Importer's name and address, and information for product return
- Manufacturing month and year
- Shelf life
- Contents by weight or volume (grams, liters or percentage) or by number of pieces
- Major ingredients followed by next four ingredients (and percentages)
- Nutrient contents for special nutritional or health supplementary foods
- Other details for designated foods

Food Processors Need Ingredients

Korea imports many agricultural products for processing, including corn, soybeans, wheat, essential oils, frozen orange juice concentrate, turkey and duck meat, almonds, walnuts, powdered milk and beef tallow.

Many Koreans give gifts of high-value food products during the two big three-day holidays in Korea—Chusok (similar to Thanksgiving) in early October this year and the Lunar New Year (in February 2003). ■

In 2000 and 2001, U.S. High-Value Exports Led Sales to South Korea



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